

MAIN AND SATELLITE CASHIERING

**CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO**

**Audit Report 10-24
June 21, 2010**

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ABBREVIATIONS

CEL Osher Program	College of Extended Learning Osher Life-Long Institute Program
CSU	California State University
CSUSB	California State University, San Bernardino
FISMA	Financial Integrity and State Manager's Accountability Act
GC	Government Code
GL	General Ledger
HRL	Housing and Residential Life
IBMSAM	Interim Bursar Manager/Student Accounts Manager
IBS	Interim Bursar Supervisor
IRT	Information Resources & Technology
ITC	Information Technology Consultant
LC	Learning Center
OUA	Office of the University Auditor
PDC	Palm Desert Campus
PS	Parking Services
SAM	State Administrative Manual
SBGLACCTNT	San Bernardino General Ledger Accountant
SBGLSUPER	San Bernardino General Ledger Super User

EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last two quarters of 2009, the Board of Trustees, at its January 2010 meeting, directed that *Main and Satellite Cashiering* be reviewed. The Office of the University Auditor had previously reviewed main and satellite cashiering activities in the biennial Financial Integrity and State Manager's Accountability (FISMA) audits, the last of which was performed on campus in 2009.

We visited the California State University, San Bernardino campus from March 1, 2010, through March 12, 2010, and audited the procedures in effect at that time.

Our study and evaluation revealed certain conditions that, in our opinion, could result in significant errors and irregularities if not corrected. Specifically, the campus did not maintain adequate internal control over the following areas: the segregation of duties and responsibilities involving cashiering systems at the main and two satellite cashiers, and the accountability for cash receipts at all five satellite cashiering locations we visited. These conditions, along with other weaknesses, are described in the executive summary and body of this report. In our opinion, except for the effect of the weaknesses described above, the operational and administrative controls for main and satellite cashiering activities in effect as of March 12, 2010, taken as a whole, were sufficient to meet the objectives stated in the "Purpose" section of this report.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

The following summary provides management with an overview of conditions requiring attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

SEGREGATION OF DUTIES [5]

Duties and responsibilities in the CashNet, PeopleSoft Finance, PeopleSoft Student Accounts, parking services T2, and learning center cash register systems were not sufficiently segregated at the main cashier and two satellite cashiers.

SATELLITE CASHIERING [12]

Accountability for cash receipts needed improvement at all five satellite cashiering locations we visited.

INTRODUCTION

BACKGROUND

Main and satellite cashiering audits involve the assessment of the adequacy of the systems of internal accounting and administrative control surrounding cash receipts, cash handling, change funds, and purchase funds at the main and satellite cashiering facilities.

The main cashier at each campus handles the majority of cash transactions for the campus. Responsibilities for the main cashier include, but are not limited to, collection of registration and other student fees using mainly cash, credit cards, debit cards, cashier's checks, money orders, and personal checks. Other common transactions at the main cashier's office include the collection of payments for parking permits, petty cash reimbursements, disbursements of employee checks, and all other types of payment service needs, as well as deposits, recordkeeping, and the safeguarding of cash.

Satellite cashiering includes the collection of cash at various campus and off-site locations other than the main cashier. Examples of these locations include athletics, public safety, parking and transportation, student unions, student health centers, housing, reprographics, libraries, and the performing arts, among others. These locations are most commonly known as change funds and petty cash funds, although at these locations various cash receipts may be accepted for the sale of tickets and merchandise, as well as for the collection of various fees. Typical responsibilities at these locations include collections, mostly in the form of checks, credit cards, and debit cards, but cash is also used.

Historically, main and satellite cashiering audits were performed by the California State University (CSU) Office of the University Auditor (OUA) as part of cyclical audits, based on the Financial Integrity and State Manager's Accountability Act (FISMA) of 1983 passed by the California Legislature, and as detailed in Government Code (GC) Sections 13400 through 13407. FISMA audits were biennial internal control audits (covering accounting and fiscal compliance practices) in accordance with the *International Standards for the Professional Practice of Internal Auditing* (Institute of Internal Auditors) as required by GC Section 1236.

Beginning in calendar year 2010, the OUA audit risk assessment methodology changed, based on a fiscal year 2009/2010 systemwide risk assessment. Using the new procedure, the OUA worked with CSU campus executive management to identify high-risk areas in each campus. As a result of this change in risk assessment, FISMA audits were reevaluated and specific components were identified as having greater risk than others; one of those being main and satellite cashiering, because it involved liquid assets and focused on cash management and the related responsibilities and safeguards. Senior management at the CSU campuses and the CSU systemwide Office of Risk Management recommended cash as a high-risk area for audit. The main and satellite cashiering audits were developed internally to address the known and anticipated cash-related risks at the CSU campuses.

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the main and satellite cashiering activity and to determine the adequacy of controls that ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the audit objective, specific goals included determining whether:

- ▶ Accountability for cash items is established at the earliest possible time after receipt and maintained to prevent misappropriation of funds.
- ▶ Procedures exist to ensure that all collections are deposited in an approved depository or otherwise adequately safeguarded, and correctly recorded in the accounting records.
- ▶ The campus is attempting to collect all receipts pursuant to state/federal laws and regulations.
- ▶ Cash receipts business processes, policies, and procedures are well-defined, adequately documented, and reflect appropriate internal controls.
- ▶ Data security and access controls for computer systems used in the cash receipts process are in place.
- ▶ Cashiering locations are provided appropriate physical security.
- ▶ Segregation of duties in cash receipt activities is established and sufficiently maintained.

SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment B, Audit Agenda Item 2 of the January 26 and 27, 2010, meeting of the Committee on Audit stated that main and satellite cashiering includes review of business unit cashiering procedures, cash receipts processes, change and purchase funds, and the overall accountability for cash. Proposed audit scope would include review of Trustee policy, systemwide directives, state regulations, and campus policies and procedures for controlling cash receipts; accountability for cash; safeguarding of cash; timely deposits; and accurate recordkeeping.

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that accounting and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. The audit focused on procedures in effect from March 1, 2010, through March 12, 2010. In instances wherein it was necessary to review annualized data, calendar years 2008 and 2009 were the periods reviewed.

A preliminary risk-assessment of campus main and satellite cashiering operations was used to select those areas or activities with highest risk for our audit testing. This assessment was based upon a systematic process using management's feedback and professional judgments on probable adverse conditions and other pertinent information including prior audit history in this area. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

- ▶ Procedures for receipting and storing cash.
- ▶ Segregation of duties involving cash receipting.
- ▶ Establishment and maintenance of accountability for cash items.
- ▶ Safeguarding of cash receipts from loss or misuse.
- ▶ Accurate and timely recordkeeping of cash receipts to the general ledger.
- ▶ The administration and reconciliation of bank accounts used for cash receipts.
- ▶ Periodic campus performance of cash counts.
- ▶ Proper establishment and administration of change and purchase funds.
- ▶ Data security and access restrictions to cashiering and accounting systems.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

SEGREGATION OF DUTIES

Duties and responsibilities in the CashNet, PeopleSoft Finance, PeopleSoft Student Accounts, parking services (PS) T2, and learning center (LC) cash register systems were not sufficiently segregated at the main cashier and two satellite cashiers.

With regard to the CashNet system at the main cashier, we found that:

- ▶ The interim bursar supervisor (IBS) had CashNet system cashiering access with a supervisor role that conflicted with her other job duties. The supervisor role allowed her to manage user accounts within CashNet. The IBS supervised bursar office cashiers performed the daily cash reconciliations and the deposit reconciliations. The IBS was also the administrator and managed system access to the CashNet system. Additionally, she had access to the safe, custody of manual pre-numbered receipts, and authority to approve voids.
- ▶ The IBS was the administrator and managed system access to the CashNet system. The interim bursar manager/student accounts manager (IBMSAM) was the CashNet system backup administrator. Both had excessive access to manage the CashNet system, create accounts, and modify access without management oversight.
- ▶ A formal user access review process was not established to ensure separation of duties and validate that user accounts had been authorized within CashNet. Additionally, no formal processes were established to track and document approval of new user account requests, separations, and user account system access modifications for CashNet.

With regard to the PeopleSoft Student Accounts system at the main cashier, we found that:

- ▶ The IBS, College of Extended Learning finance manager, and various cashiers had the ability to post charges and credits (in the form of a negative charge) directly to student accounts using the student post page without management review.
- ▶ The IBS and three cashiers also had the ability to reverse charges directly using the charge reversal feature in the PeopleSoft Student Accounts system without management review.
- ▶ The IBS, two general accounting department accountants, the College of Extended Learning financial services manager, and the accounting office information technology consultant had system access to process student account write-offs.

With regard to the PeopleSoft Finance general ledger system and accounting practices at the main cashier, we found that:

- ▶ The IBS and IBMSAM had incompatible access rights, allowing them to post transactions directly to cash and accounts receivable general ledger accounts.

- ▶ One student accounts office employee had system access capability and posted manual journal entries to the cash general ledger account without general accounting management review and verification.
- ▶ The IBS had incompatible access with the PeopleSoft Finance San Bernardino General Ledger Accountant (SBGLACCTNT) system access role that allowed most access for transaction processing, inquiries, and reports.
- ▶ The IBMSAM had incompatible access with the PeopleSoft Finance San Bernardino General Ledger Super User (SBGLSUPER) system access role that allowed her to revise the general ledger (GL) control table setup, GL financial processes, and asset management depreciation processing.
- ▶ A review of the September 2009 month-end bank reconciliation and general ledger detail for the cash account showed that the IBS and IBMSAM had posted manual journal entries to the cash general ledger account without supervisory review by the accounting office.
- ▶ The IBMSAM verified and signed off as reviewer for manual journal entries prepared and posted by the IBS without general accounting department management review and verification to ensure journal entries were appropriate and accurate.

With regard to the T2 system and cashiering practices at PS, we found that:

- ▶ Both the director and the associate director of PS had excessive cashiering and system administrator access that were incompatible with their other duties.
- ▶ No formal process had been established for new user accounts, modified user accounts, separations, and user access review to verify user accounts and ensure separation of duties.
- ▶ PS student cashiers opened receivables for manual citations issued by the public safety department. Additionally, PS student cashiers posted cash receipts to citation receivable accounts within the T2 system for manually issued citations from the public safety department. Mitigating controls were not established by PS management to provide management oversight.
- ▶ PS had no formal password policy to ensure secure password requirements. One staff member had a password length of only five characters.

With regard to the LC cash register system and cashiering practices, we found that:

- ▶ The LC information technology consultant (ITC) who programmed the LC cash register system was the only employee who had administrative access, and who performed monitoring to ensure that only appropriate authorized transactions were processed.

- ▶ The LC ITC was the only employee responsible for the custody and management of copy cards. The LC ITC printed paper copy cards, had custody of paper copy card stock, and created/assigned control numbers for paper copy cards. No management oversight was established for copy cards to ensure that the copy cards were tracked and control number assignments were accurate.
- ▶ We found that voids were authorized by the administrative support coordinator who prepares the daily deposits/deposit reconciliations. In addition, the LC ITC that administers and programs the LC cash register system authorizes voids. Reviews of the voids authorized by these employees were not conducted or documented.

State Administrative Manual (SAM) §8080, §8080.1, and §8080.2 state, in part, that no one person will perform more than one of the following types of duties: receiving and depositing remittances, inputting receipts information, and reconciling bank accounts and posting to the general ledger or any subsidiary ledger affected by cash transactions.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.

Government Code (GC) §13400 et seq. requires state agencies to establish and maintain a system of internal accounting and administrative control. The Act further requires the control system be evaluated on an ongoing basis and weaknesses be promptly corrected.

The California State University, San Bernardino (CSUSB) information security password policy requires a minimum length of seven characters and strict character composition requirements.

The *California State University Information Security Policy*, dated August 2002, states that campus policies and procedures should provide for:

- ▶ Individual unique user ID/passwords, specifically excluding shared IDs.
- ▶ Access privileges controlled on a need-to-know basis for files, records, data elements, databases, applications, screens, terminals, etc.
- ▶ Password security requirements that specify password length and complexity.
- ▶ Assignment of responsibilities, delineating the granting of access privileges.
- ▶ Reassignment of responsibilities, requiring review of access privileges.
- ▶ Termination of employment, requiring removal of access privileges.

SAM §5305.2 and §5325 state that appropriate risk management procedures should be implemented to protect information resources from unauthorized access. This includes a documented process to remove access when changes occur.

The IBMSAM stated that she only needed inquiry access within CashNet and updates to her access were delayed due to a recent reorganization of personnel. Additionally, the IBMSAM stated that annual review of user access rights and formalized user access procedures were not established for the CashNet system due to competing priorities. The associate director of accounting stated that the campus had recent reorganizations in the accounting office, bursar's office, student accounts office

and experienced turnover in the accounting office; and the accounting office had not conducted a formalized risk assessment to identify mitigating controls for separation of duties risks. The director of parking services stated that his access and access for the associate director of parking services were granted during the T2 system implementation, but they only needed to run reports and have inquiry access. The PS financial operations supervisor stated that user access and password security procedures were not part of the current T2 user management practices for the T2 system. He further stated that PS management did not take into consideration the risk of public safety manual written citation receivables managed by cashiers. The LC director stated that LC department personnel were unaware of the specific cash receipt risks.

Inadequate segregation of duties over cash handling processes and access to systems increases the risks of irregularities and of loss from inappropriate acts.

Recommendation 1

We recommend that the campus:

- a. Review employees' job functions and remove unnecessary CashNet, PeopleSoft Finance, PeopleSoft Student Accounts, PS T2, and LC cash register system access.
- b. Conduct a formal risk assessment to identify separation of duties risks for the CashNet, PeopleSoft Finance, and PeopleSoft Student Accounts, T2, and LC cash register systems. Based on the results of the risk assessment, implement mitigating controls.
- c. Remove PeopleSoft Student Accounts system access to credit posting and charge reversals from non-supervisory staff, or implement compensatory mitigating controls.
- d. Remove PeopleSoft Student Accounts system access to process student accounts write-offs from non-supervisory cashiering staff, or implement compensatory mitigating controls.
- e. Implement procedures that require general accounting management to authorize and verify all posted manual journal entries to the PeopleSoft Finance general ledger system.
- f. Conduct and document periodic reviews of user access to the CashNet system and PS T2 system, and ensure compliance with campus password complexity requirements.
- g. Create a formal process for approving, modifying user accounts, and removing user accounts for the CashNet and PS T2 systems.
- h. Review PS cash receipt and public safety citation accounts receivable duties and take appropriate action to either segregate incompatible duties or implement mitigating controls.
- i. Implement appropriate segregation of duties, including management review and oversight, at the LC department, or implement compensating mitigating controls.

Campus Response

We concur with the recommendations.

- a. PS conducted a formal review of all T2 users' access and removed all access deemed unnecessary based on job functions.

Completion Date: August 31, 2010

The LC staff reviewed and updated the granting of administrative access to the cash register. Despite the small staff of four and the need to overlap responsibilities, no more than three staff per day will have access. Data is kept on file to document the date and time when staff access the register.

Completion Date: July 31, 2010

The bursar's office is in the process of implementing new procedures to reassign duties for granting access and roles in the CashNet system to the information resources & technology (IRT) department. The daily cash reconciliation has been reassigned to staff outside of the bursar's office. The cashiering role will be removed from the IBS. Access to the safe, custody of manual pre-numbered receipts, and the authority to approve voids is segregated to the extent possible.

Completion Date: December 31, 2010

The student accounts office is in the process of conducting a formal review of user access in the student financial system. Access to the student write-offs process in the PeopleSoft Student Accounts system has been removed from the general accounting staff, the IBS, and the ITC. In addition, access to credit postings and reversal of charges in the PeopleSoft Student Accounts system has been removed from cashiering staff and the IBS.

Completion Date: December 31, 2010

The general accounting office is in the process of conducting a formal review of user access in the PeopleSoft Finance system to ensure that any unnecessary functions are removed.

Completion Date: December 31, 2010

- b. A formal risk assessment to identify separation of duties in the LC was performed on July 14, 2010. New procedures were implemented to clarify and assign specific duties and to ensure that proper mitigating controls were in place to better monitor system access.

Completion Date: July 31, 2010

A formal risk assessment to identify separation of duties in PS was performed. A new procedure was established that resulted in the creation of 13 levels of access granted based on job functions.

This access is provided after a T2 Access Request Form (Appendix I of the Parking Services Procedures Manual) has been completed and been approved by the appropriate T2 administrator.

Completion Date: August 31, 2010

The bursar's office is in the process of conducting a risk assessment to ensure that the appropriate separation of duties is in place for access to CashNet, PeopleSoft Finance, and PeopleSoft Student Accounts.

Completion Date: December 31, 2010

The student accounts office is in the process of conducting a risk assessment to ensure that the appropriate separation of duties is in place for access to PeopleSoft Finance and PeopleSoft Student Accounts.

Completion Date: December 31, 2010

The general accounting office is in the process of conducting a risk assessment to ensure that the appropriate separation of duties is in place for access to CashNet, PeopleSoft Finance, and PeopleSoft Student Accounts.

Completion Date: December 31, 2010

- c. Access to credit postings and reversal of charges in the Student Accounts system has been removed from cashiering staff and the IBS. The College of Extended Learning as a separate entity performs its own fee posting processing, which requires it to have access to this process.

Completion Date: July 31, 2010

- d. Access to the student write-offs process in the Student Accounts system has been removed from the general accounting staff, the IBS, and the IT consultant. The College of Extended Learning as a separate entity performs its own collection and write-off processes, which requires it to have access to this process.

Completion Date: July 31, 2010

- e. Student accounts and bursar staff will continue to prepare handwritten or upload journals, the manager of student financial services will approve the journals and then forward to general accounting for approval, and general accounting will return approved journals to staff that will then post the journal entry. The manager of student financial services will prepare journals; the director, assistant director, or general accounting manager will approve journals and then return approved journals to the manager of student financial services to then post the journal entry. General accounting also prepares monthly bank and accounts receivable reconciliations and works with student accounts and bursar to resolve reconciling factors when errors occur.

Completion Date: July 31, 2010

- f. PS has established T2 Flex system password requirements that comply to the *California State University Information Security Policy*. The password requirements are outlined in the Security and T2 Access Procedures section of the Parking Services Procedures Manual.

Completion Date: March 31, 2010

New procedures are in the process of being established to perform a periodic review of user access to CashNet and to ensure that established passwords are in compliance with campus requirements by the IRT department.

Completion Date: December 31, 2010

- g. A T2 Access Request Form (Appendix I of the Parking Services Procedures Manual) has been completed by all employees with access to the T2 Flex system. Any additions, revisions, or removal of access shall be documented on this form and can only be authorized by the head ITC assigned to the administration and finance division as referenced in the Security and T2 Access Procedures section of the Parking Services Procedures Manual.

Completion Date: August 31, 2010

New procedures are in the process of being established for the IRT department to manage approving and changing access in CashNet.

Completion Date: December 31, 2010

- h. The procedures for manual handwritten citations issued by public safety have been revised so that the PS student cashiers no longer have the ability to open receivables on these citations. It is now the responsibility of the PS accounting technician. This new procedure is outlined in the section Citations Issued By Campus Police in the Parking Services Procedures Manual.

Completion Date: March 31, 2010

- i. The LC has established a log designed and used to ensure that the ITC will sign out paper to make print cards. The card stock will be purchased and stored by the LC director. The ITC will account for all cards made from the card stock and any cards that need to be voided due to errors. The LC director will monitor the process.

Completion Date: March 31, 2010

All staff has been retrained on how to complete a void. All voids appear automatically on the cash register receipts. In addition, the LC director will sign off on all voids and monitor their occurrence. The Pay Printing Manual is being updated to clearly detail the void procedure.

Completion Date: September 30, 2010

SATELLITE CASHIERING

Accountability for cash receipts needed improvement at all five satellite cashiering locations visited.

We found that:

- ▶ At the College of Extended Learning, Palm Desert Campus Osher Life-Long Institute Program (CEL Osher Program), personnel did not provide receipts to students that made payment by check, money order, or credit card for payment transactions that were in-person, via phone registration, or by mail registration.
- ▶ At housing and residential life (HRL), we noted that a log of checks was not prepared for checks received that were either erroneously addressed or intended for another department.
- ▶ At the LC, receipts were not provided for copy card and fax sales transactions.
- ▶ At the Palm Desert Campus (PDC), we found that deposits were not consistently verified.
- ▶ At PS, we found that parking permit reconciliations had not been completed on a monthly basis and verified as of March 4, 2010, for the fall 2009 quarter. Additionally, the existing PS department procedures did not specify that parking permit reconciliations were to be performed monthly. This is a repeat finding from the prior Financial Integrity and State Manager's Accountability Act (FISMA) audit performed in 2009.

SAM §8020 requires that state agencies prepare receipts for all collections from payers who request receipts.

The CSUSB CEL Osher Program pre-numbered receipts policy requires a receipt be given for payments made by students.

SAM §8020.1 states that all incoming mail receipts consisting of cash and negotiable instruments not payable to the state agency will be prelisted by the person opening the mail to localize accountability of these assets.

GC §13400 et seq. requires state agencies to establish and maintain a system of internal accounting and administrative control. The Act further requires the control system be evaluated on an ongoing basis and weaknesses be promptly corrected.

SAM §8032.3 states that except where the supervisor and the person depositing cash are not at the same location, the person supervising the person depositing cash will verify that receipts have been deposited intact and in accordance with SAM §8032.1.

SAM §7920 states that each agency is responsible for completing any reconciliation necessary to safeguard assets and ensure reliable financial data.

SAM §7901 states that the accuracy of an agency's accounting records may be proved partially by making certain reconciliations and verifications and requires monthly preparation of all reconciliations within 30 days of the preceding month.

The CEL Osher Program director stated that receipts were only given for cash payments, and not for other types of payment. The HRL associate director stated that their practice had been to forward checks not payable to their department to the bursar's office. He also stated that the logging of checks not payable to HRL had been under consideration but not implemented. The LC director stated that LC department personnel were unaware of the specific cash handling risks due to the lack of cash handling training. The PDC administrative analyst specialist stated that the verification of deposits was high priority; but due to conflicting job responsibilities, the verifications of deposits function was not completed consistently. The PS financial operations supervisor stated that he was under the assumption that the parking permits reconciliations needed to be completed quarterly and the reconciliation could not be completed until reconciling items had been resolved.

Recommendation 2

We recommend that the campus:

- a. Discontinue the use of the current manual receipts at the CEL Osher program location and implement the use of press-numbered receipts that are maintained under inventory control. Ensure receipts are given for registration payments made by checks, money orders, and credit cards.
- b. Ensure that all cash and checks received not payable to the university are logged by HRL.
- c. Implement the use of press-numbered receipts that are maintained under inventory control for the LC department and ensure receipts are issued for payments.
- d. Ensure verification of daily deposits at PDC prior to deposit.
- e. Prepare documented reconciliations of parking permits issued to revenue recorded in the general ledger on a monthly basis.
- f. Revise the current PS finance office procedures manual to specify that parking permit reconciliations must be conducted on a monthly basis.
- g. Provide cash handling training to campus satellite cashiering locations as appropriate.

Campus Response

We concur with the recommendations.

- a. The procedure for receipt of payment at the PDC CEL Osher Program is now modified to provide press-numbered receipted registrations produced on two-part NCR forms. Receipted registrations

will be provided for all payments made by check, cash, credit card, or money order. Press-numbered registration receipts will be maintained under inventory control by the CEL Osher Program director at the PDC. Receipts are provided for in-person transactions. Any payer requesting a receipt for a phone or mail registration will be sent a statement of account reflecting the registration and payment transactions.

Completion Date: December 31, 2010

- b. The procedures for checks received by the office of HRL have been amended to include a log to document their receipt. In the event a check received by the office of HRL is not payable to the university, the check will be recorded in the internal department log. The log will be audited monthly. If no such checks are received, a note will be made indicating that activity for the month.

Completion Date: April 30, 2010

- c. Print cards will be press-numbered and that will serve as the receipt for all transactions. The card number has always been recorded in the cashiering system for all sales. Fax clients now get a press-numbered receipt for each transaction.

Completion Date: September 30, 2010

- d. The PDC will have a second person verify the amounts being deposited each day.

Completion Date: June 30, 2010

- e. The reconciliations of parking permits issued to revenue recorded in the GL are now done on a monthly basis.

Completion Date: July 31, 2010

- f. The procedures for performing the monthly parking permit reconciliations are now reflected in Parking Operations Cash Handling Procedures Manual, page 34, Section IV, Checking General Ledger, Item b.

Completion Date: July 31, 2010

- g. The bursar's office will conduct cash handling training to satellite cashiering locations annually or as needed.

Completion Date: December 31, 2010

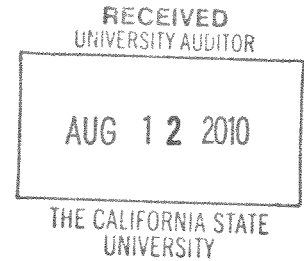
APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Albert K. Karnig	President
Diane Ainsworth	Administrative Analyst Specialist, Palm Desert Campus
Lovellie Almogela	Director, Housing and Residential Life (HRL)
Deletta Anderson	Director, Accounting Office
Claudia Campos	Interim Bursar Supervisor, Bursar's Office
Laura Carrizales	Information Security Analyst, Information Security Office
Diana Cordero	Administrative Support Coordinator, Learning Center (LC)
Matias Farre	Associate Director, Accounting Office
Robert Gardner	Vice President for Administration and Finance
Randy Hanlin	Associate Director, HRL
Raaya Harris	Administrative Support Assistant, HRL
Fred Jandt	Dean, Palm Desert Campus
Ruth Landeros	Administrative Support Coordinator, HRL
Cynthia Linton	Director, LC
Linda Ludvickson	Accounting Technician, Accounting Office
Marilyn Lymuel	Interim Bursar Manager/Student Accounts Manager, Bursar's Office
Steve McAdams	Director, College of Extended Learning Osher Life-Long Institute Program
Quentin Moses	Director, Parking Services (PS)
Grace Munyiri	Accounting Technician, PS
Melissa Spagnuolo	Executive Assistant, Office of the Vice President of Administration and Finance
Josh Thomas	Financial Operations Supervisor, PS
Sheila Torres	Finance Services and Student Services Manager
Stephen Wentworth	Information Technology Consultant, LC
Deloren West	Special Projects Coordinator, PS
Robert Wilson	Associate Vice President, Budget and Financial Operations

State of California

California State University, San Bernardino
5500 University Parkway
San Bernardino, California 92407-2397

MEMORANDUM



DATE: August 12, 2010

TO: Larry Mandel
University Auditor
The California State University

FROM: Bob Gardner, Vice President
for Administration and Finance *BWG*

SUBJECT: **Campus Response to
Main and Satellite Cashiering Audit – Report No. 10-24
California State University, San Bernardino**

Enclosed is the campus response to CSUSB's *Main and Satellite Cashiering Audit – Report No. 10-24*.

Please contact me with any questions you may have. Thank you.

c: Al Karnig
Bob Wilson
Del Anderson

Enclosure

MAIN AND SATELLITE CASHIERING**CALIFORNIA STATE UNIVERSITY,
SAN BERNARDINO****Audit Report 10-24****SEGREGATION OF DUTIES****Recommendation 1**

We recommend that the campus:

- a. Review employees' job functions and remove unnecessary CashNet, PeopleSoft Finance, PeopleSoft Student Accounts, parking services T2, and LC cash register system access.
- b. Conduct a formal risk assessment to identify separation of duties risks for the CashNet, PeopleSoft Finance, and PeopleSoft Student Accounts, T2, and LC cash register systems. Based on the results of the risk assessment, implement mitigating controls.
- c. Remove PeopleSoft Student Accounts system access to credit posting and charge reversals from non-supervisory staff, or implement compensatory mitigating controls.
- d. Remove PeopleSoft Student Accounts system access to process student accounts write-offs from non-supervisory cashiering staff, or implement compensatory mitigating controls.
- e. Implement procedures that require general accounting management to authorize and verify all posted manual journal entries to the PeopleSoft Finance general ledger system.
- f. Conduct and document periodic reviews of user access to the CashNet system and parking services T2 system, and ensure compliance with campus password complexity requirements.
- g. Create a formal process for approving, modifying user accounts, and removing user accounts for the CashNet and parking services T2 systems.
- h. Review parking services cash receipt and public safety citation accounts receivable duties and take appropriate action to either segregate incompatible duties or implement mitigating controls.
- i. Implement appropriate segregation of duties, including management review and oversight, at the LC department, or implement compensating mitigating controls.

Campus Response

- a. The Campus concurs with the recommendation. Parking Services conducted a formal review of all T2 users' access and removed all access deemed unnecessary based on job functions.

Completion Date: August 31, 2010

The Learning Center staff reviewed and updated the granting of administrative access to the cash register. Despite the small staff of four and need to overlap responsibilities, no more than three staff per day will have access. Data is kept on file to document the date and time when staff access the register.

Completion Date: July 31, 2010

The Bursar's Office is in the process of implementing new procedures to reassign duties for granting access and roles in the CashNet system to the IRT department. The daily cash reconciliation has been reassigned to staff outside of the Bursar Office. The cashiering role will be removed from the IBS. Access to the safe, custody of manual pre-numbered receipts, and the authority to approve voids is segregated to the extent possible.

Completion Date: December 31, 2010

The Student Accounts Office is in the process of conducting a formal review of user access in the Student Financial System. Access to student write-offs process in the PeopleSoft Student Accounting System has been removed from the general accounting staff, the IBS, and the IT consultant. In addition, access to credit postings and reversal of charges in the PeopleSoft Student Accounting System has been removed from cashiering staff and the IBS.

Completion Date: December 31, 2010

The General Accounting Office is in the process of conducting a formal review of user access in the PeopleSoft Finance System to ensure that any unnecessary functions are removed.

Completion Date: December 31, 2010

- b. The Campus concurs with the recommendation.

A formal risk assessment to identify separation of duties in the Learning Center was performed on July 14, 2010. New procedures were implemented to clarify and assign specific duties and to ensure that proper mitigating controls were in place to better monitor system access.

Completion Date: July 31, 2010

A formal risk assessment to identify separation of duties in Parking Services was performed. A new procedure was established that resulted in the creation of 13 levels of access granted based on job functions. This access is provided after a T2 Access Request Form (appendix I of the

Parking Services Procedures Manual) has been completed and been approved by the appropriate T2 Administrator.

Completion Date: August 31, 2010

The Bursars Office is in the process of conducting a risk assessment to ensure that the appropriate separation of duties is in place for access to CashNet, PeopleSoft Finance, and PeopleSoft Student Accounts.

Completion Date: December 31, 2010

The Student Accounts Office is in the process of conducting a risk assessment to ensure that the appropriate separation of duties is in place for access to PeopleSoft Finance and PeopleSoft Student Accounts.

Completion Date: December 31, 2010

The General Accounting Office is in the process of conducting a risk assessment to ensure that the appropriate separation of duties is in place for access to CashNet, PeopleSoft Finance, and PeopleSoft Student Accounts.

Completion Date: December 31, 2010

- c. The Campus concurs with the recommendation. Access to credit postings and reversal of charges in the Student Accounting System has been removed from cashiering staff and the IBS. The College of Extended Learning as a separate entity performs their own fee posting processing which requires them to have access to this process.

Completion Date: July 31, 2010

- d. The Campus concurs with the recommendation. Access to student write-offs process in the Student Accounting System has been removed from the general accounting staff, the IBS, and the IT consultant. The College of Extended Learning as a separate entity performs their own collection and write-off processes which requires them to have access to this process.

Completion Date: July 31, 2010

- e. The Campus concurs with the recommendation. Student Accounts and Bursar staff will continue to prepare hand written or upload journals, Manager of Student Financial Services will approve the journals, and then forward to General Accounting for approval, and General Accounting will return approved journals to staff that will then post the journal entry. Manager of Student Financial Services will prepare journals, Director, Assistant Director, or General Accounting Manager will approve journals and then return approved journals to Manager of Student Financial Services to then post journal entry. General Accounting also prepares monthly bank and accounts receivable reconciliations and works with Student Accounts and Bursar to resolve reconciling factors when errors occur.

Completion Date: July 31, 2010

- f. The Campus concurs with the recommendation.

Parking Services has established T2 Flex System password requirements that comply to the California State University Information Security Policy. The password requirements are outlined in the Security and T2 Access Procedures section of the Parking Services Procedures Manual.

Completion Date: March 31, 2010

New procedures are in the process of being established to perform a periodic review of user access to CashNet and to ensure that established passwords are in compliance with campus requirements by the IRT Department.

Completion Date: December 31, 2010

- g. The Campus concurs with the recommendation.

A T2 Access Request Form (appendix I of the Parking Services Procedures Manual) has been completed by all employees with access to the T2 Flex System. Any additions, revisions or removal of access shall be documented on this form and can only be authorized by the Head IT Consultant assigned to the Administration and Finance Division as referenced in the Security and T2 Access Procedures section of the Parking Services Procedures Manual.

Completion Date: August 31, 2010

New procedures are in the process of being established for the IRT Department to manage approving and changing access in CashNet.

Completion Date: December 31, 2010

- h. The Campus concurs with the recommendation. The procedures for manual hand written citations issued by Public Safety have been revised so that the Parking Services student cashiers no longer have the ability to open receivables on these citations. It is now the responsibility of the Parking Services Accounting Technician. This new procedure is outlined in section Citations Issued by Campus Police in the Parking Services Procedures Manual.

Completion Date: March 31, 2010

- i. The Campus concurs with the recommendation.

The LC has established a log designed and used to ensure that the ITC will sign out paper to make print cards. The card stock will be purchased and stored by the LC Director. The ITC will account for all cards made from the card stock and any cards that need to be voided due to errors. The LC Director will monitor the process.

Completion Date: March 31, 2010

All staff have been retrained on how to complete a void. All voids appear automatically on the cash register receipts. In addition, the LC Director will sign off on all voids and monitor their occurrence. The Pay Printing Manual is being updated to clearly detail the void procedure.

Completion Date: September 30, 2010

SATELLITE CASHIERING

Recommendation 2

We recommend that the campus:

- a. Discontinue the use of the current manual receipts at the CEL Osher program location and implement the use of press-numbered receipts that are maintained under inventory control. Ensure receipts are given for registration payments made by checks, money orders, and credit cards.
- b. Ensure that all cash and checks received not payable to the university are logged by HRL.
- c. Implement the use of press-numbered receipts that are maintained under inventory control for the LC department and ensure receipts are issued for payments.
- d. Ensure verification of daily deposits at PDC prior to deposit.
- e. Prepare documented reconciliations of parking permits issued to revenue recorded in the general ledger on a monthly basis.
- f. Revise the current parking services finance office procedures manual to specify that parking permit reconciliations must be conducted on a monthly basis.
- g. Provide cash handling training to campus satellite cashiering locations as appropriate.

Campus Response

- a. The Campus concurs with the recommendation. The procedure for receipt of payment at the Palm Desert Campus CEL Osher program are now modified to provide press-numbered receipted registrations produced on two part NCR forms. Receipted registrations will be provided for all payments made by check, cash, credit card or money order. Press-Numbered registration-receipts will be maintained under inventory control by the CEL Osher program director at the Palm Desert Campus. Receipts are provided for in-person transactions. Any payer requesting a receipt for a phone or mail registration will be sent a Statement of Account reflecting the registration and payment transactions.

Completion Date: December 31, 2010

- b. The Campus concurs with the recommendation. The procedures for checks received by the Office of Housing and Residential Life have been amended to include a log to document

their receipt. In the event a check received by the Office of Housing and Residential Life is not payable to the university, the check will be recorded in the internal department log. The log will be audited monthly. If no such checks are received, a note will be made indicating that activity for the month.

Completion Date: April 30, 2010

- c. The Campus concurs with the recommendation. Print cards will be press-numbered and that will serve as the receipt for all transactions. The card number has always been recorded in the cashing system for all sales. Fax clients now get a press-numbered receipt for each transaction.

Completion Date: September 30, 2010

- d. The Campus concurs with the recommendation. The PDC Campus will have a second person verify the amounts being deposited each day.

Completion Date: June 30, 2010

- e. The Campus concurs with the recommendation. The reconciliations of parking permits issued to revenue recorded in the general ledger are now done on a monthly basis.

Completion Date: July 31, 2010

- f. The Campus concurs with the recommendation. The procedures for performing the monthly parking permit reconciliations are now reflected in Parking Operations Cash Handling Procedures Manual, Page: 34, Section: IV. Checking general ledger, item b.

Completion Date: July 31, 2010

- g. The Campus concurs with the recommendation. The Bursar Office will conduct cash handling training to satellite cashing locations annually or as needed.

Completion Date: December 31, 2010

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

September 8, 2010

CHICO

DOMINGUEZ HILLS

MEMORANDUM

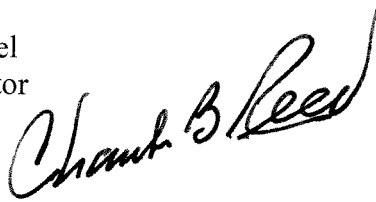
EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

SUBJECT: Draft Final Report 10-24 on *Main and Satellite Cashiering*,
California State University, San Bernardino

LONG BEACH

LOS ANGELES

In response to your memorandum of September 8, 2010, I accept the response as submitted with the draft final report on *Main and Satellite Cashiering*, California State University, San Bernardino.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS